

STATE OF ALASKA

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

MEDICAL CARE ADVISORY COMMITTEE

Frank H. Murkowski, Governor

751 Old Richardson Hwy., Suite 100-A

Fairbanks, AK 99701-7802

Telephone: (907) 451-2017

FAX (907) 451-5047

July 30, 2004

Commissioner Joel Gilbertson
Department of Health and Social Services
P.O. Box 110601
Juneau, Alaska 99801-0601

Dear Commissioner Gilbertson,

The purpose of this letter is to transmit the Medical Care Advisory Committee's (MCAC) FY 2006 Budget Recommendation for the Medicaid program. We urge you to include it in its entirety with your budget recommendation to Governor Murkowski.

The MCAC is truly appreciative of all of the efforts of the Division of Health Care Services, the Department of Health and Social Services, the Commissioner of Health and Social Services, the Governor, and the Alaska State Legislature, to support the Medicaid program. The committee is also thankful for the many individuals, both recipients and providers, who have come before the committee to share their knowledge and concerns about the Medicaid program.

We would also like to thank the department for hearing our concerns about a) improving the ambulance and air ambulance funding; b) improving the transportation management; c) improving the funding for providers in the more isolated areas of the state; and, d) trying to improve the adult dental plan by evaluating the cost effectiveness. We look forward to reports on the progress of these essential services.

Our next meeting will be held in October and the focus will be behavioral health issues. The MCAC feels that it is imperative that we monitor what is really going to be efficacious in the way of telemedicine for both primary and behavioral health care. As a committee we know behavioral health (mental health and substance abuse) services are a priority, we will be happy to provide recommendations after this meeting.

The MCAC unanimously passed the following Budget Recommendation for the Medicaid Program for FY 2006.

Scope of the MCAC Budget Recommendation. It is the MCAC's intent to keep the FY 2006 budget recommendation focused on "big picture" priorities, and to limit the number of recommendations to a precise few in order to not dilute the committee's efforts. The MCAC appreciates that there are hundreds of program changes and administrative issues that could be included, but the committee proposes to focus on a few significant opportunities available to the Medicaid program in Alaska. Further, the MCAC's key recommendation is a plea not to further cut the budget and to have some sort of a program where those who have been severely negatively impacted can appeal for some sort of financial help. Therefore, it is the MCAC's intent that these recommendations build on the existing base in Alaska's Medicaid program.

The MCAC's budget recommendation for FY 2006 is very similar to its FY 2005 recommendation. It is the decision of the MCAC that many of their FY 2006 recommendation priorities maintain an elevated level, even though some progress has been made on the FY 2005 budget recommendation priorities.

State of Alaska's Medical Care Advisory Committee

FY 2006 Alaska Medicaid Program Budget Recommendation

presented to
Commissioner Joel Gilbertson
Alaska Department of Health and Social Services

Date here

Alaska's Medical Care Advisory Committee

FY 2006 Budget Recommendation for Alaska's Medicaid Program

The following priorities are strongly recommended as future improvements to Alaska's Medicaid program.

Priority 1: Cost Containment Impact Report

The first priority of the budget recommendation is to review any impact of the Department's cost containment efforts on Medicaid programs.

The MCAC understands the State of Alaska is facing serious budgetary shortfalls and that the Department of Health and Social Services has proposed and/or initiated several cost containment efforts to help remedy the situation. The committee agrees that cost containment is necessary to combat the challenges faced in the FY 2006 budget. However, the committee is concerned with any serious reductions that may affect Alaska's Medicaid programs.

As you know, Denali KidCare experienced significant impact with a reduction in eligibility. The reduction, a result of lowering the poverty level from 200% to 175%, affected the coverage of over 1,000 children during FY05 and a few hundred pregnant women; several more thousand over the next five years. Also, hospitals across the state are seeing an increase in the number of self-insured/pay and uninsured which results in the hospitals experiencing large amounts of lost revenue.

The MCAC would greatly appreciate being kept apprised of further reductions to Alaska's Medicaid programs. The MCAC would like to request a report updating the committee on the impacts to both providers and consumers regarding the Department's cost containment efforts.

Priority 2: Medicaid Program Budget Base

The second priority of the budget recommendation is in regards to the existing Medicaid program budget. The FY 2005 (approved) Medicaid budget should be the base for the FY 2006 Medicaid program budget. The base should not be lowered and current funding for Medicaid programs should be maintained.

The MCAC supports the Department of Health and Social Services' FY 2006 budget projection assumptions including population growth, health care inflation, and increases and changes in utilization — factors outside the control of the Department of Health and

Social Services. The MCAC recognizes that because of these factors, in order to maintain the existing Medicaid program through FY 2006, additional resources beyond the FY 2006 budget will be required.

The MCAC's first priority should be interpreted to indicate that there should be no reductions in covered services or eligible groups, and that the Administration should not be forced to finance new services, new eligible groups, cost increases or program changes (including the MCAC priorities stated here), by reducing the existing program.

The MCAC believes the Medicaid program is essential to the approximately **139,000** Alaskans enrolled in the program and to Alaskans who may find themselves in need and eligible for the Medicaid program in the future. The committee also recognizes that the Medicaid program enables much of the rest of Alaska's health care system to function by providing a solid base of support for the Medicaid population, the vast majority of which have no other sources of insurance coverage and insufficient resources to pay directly for health care.

The MCAC believes the Medicaid program to be broadly supported by the public including elected officials, providers and health care consumers. The program is well-managed and because of its size and complexity, is routinely reviewed and evaluated by numerous external and internal sources.

Priority 3: Provider reimbursement adjustment by geographic parity

The MCAC's third priority of the budget recommendation is that the Department of Health and Social Services improve geographic parity of reimbursement by developing a regional reimbursement adjustment factor or a payment adjuster for remote areas and include the cost of implementing the regional reimbursement adjustment factor in their FY 2006 budget request.

The goal of this priority is to improve relative reimbursement in areas where the patient base is small, the overhead costs are large, or where the provider may need to travel great distances to a clinic or patient. Although the previous budget impact of this priority is not known at this time, the MCAC believes that some increases in reimbursement are necessary in order to assure recipients' access to services.

The MCAC understands some recipients have access problems because providers in some geographic areas are not participating in the program in sufficient numbers to meet the demand. The MCAC recognizes Medicaid's statewide uniform payment schedule does not take into consideration the fact that the amount billed by providers varies by geographic region and specialty. The MCAC believes this "uniformity" of payment across the state without consideration of local cost variables can, and will, create unnecessary access problems for some Medicaid recipients.

Priority 4: Adult Dental Coverage

The MCAC's fourth priority of the budget recommendation is that the Department of Health and Social Services strongly consider funding dental coverage for adults to include preventive and treatment services commonly included in mainstream dental insurance, to improve the employability of beneficiaries and to reduce the need for oral health related emergency medical care.

The MCAC recommends that the cost of implementing this change in adult dental coverage be included in the department's FY 2006 budget request.

The MCAC believes that the Medicaid policy of only covering "alleviation of pain and infection" for adults needing dental care is incongruent with broader Medicaid policy and creates unwarranted suffering and medical problems.

Thank you for the opportunity to present this budget recommendation. Again, we urge you to include this recommendation in its entirety with your budget recommendation to Governor Murkowski. On behalf of the Medical Care Advisory Committee, I thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Alexander", with a stylized flourish at the end.

David Alexander
Chair

cc: Anthony Lombardo, Deputy Commissioner, Department of Health and Social Services
Karleen Jackson, Deputy Commissioner, Department of Health and Social Services
Janet Clarke, Assistant Commissioner, Department of Health and Social Services
Dwayne Peebles, Director, Division of Health Care Services
Jerry Fuller, Medicaid Director
Bill Hogan, Director, Division of Behavioral Health
MCAC Members